



Somerset Arts Conservatory  
(A Charter School and Component Unit  
of the School Board of Broward County, Florida)  
WL# 5396

Pembroke Pines, Florida

Financial Statements and  
Independent Auditors' Report  
June 30, 2023

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Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)  
WL# 5396

20805 Johnson Street  
Pembroke Pines, Florida 33029

2022-2023

BOARD OF DIRECTORS

Todd German, Treasurer and Board Chair, (Florida)  
Ana Diaz, Vice-Chair and Secretary  
David Concepcion, Director  
Brian M. Cox, Director (Texas)

SCHOOL ADMINISTRATION

Bernardo Montero, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President  
Suzette Ruiz, Vice-President



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Somerset Arts Conservatory  
Pembroke Pines, Florida

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Arts Conservatory (the "School"), a charter school under Somerset Academy, Inc. which is a component unit of the District School Board of Broward County, as of, and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Emphasis of a Matter – Presentation***

As described in Note 1, the accompanying financial statements referred to above present only the financial position and change in financial position of the School that is attributable to the transactions of the School and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to, and do not, present fairly the financial position of Somerset Academy, Inc. as of June 30, 2023 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 5 through 9 and 30 through 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 29, 2023

**Management’s Discussion and Analysis**  
Somerset Arts Conservatory  
(A Charter School under Somerset Academy, Inc.)  
June 30, 2023

The corporate officers of Somerset Academy, Inc. have prepared this narrative overview and analysis of the school’s financial activities for the fiscal ended June 30, 2023.

**Financial Highlights**

1. The net position of the School at June 30, 2023 was \$2,287,696.
2. At year-end, the School had current assets on hand of \$1,219,246.
3. The School had an increase in its net position of \$40,741 for the year ended June 30, 2023.
4. The unassigned fund balance at year end was \$837,624.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School’s basic financial statements. The School’s financial statements for the year ended June 30, 2023 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School’s assets and deferred outflows of resources and liabilities and deferred inflows of resources. The difference is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School’s net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16 - 29 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$2,287,696 at the close of the fiscal year. A summary of the School's net position as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 4,895	\$ 7,959
Investments	930,000	1,470,000
Prepaid expenses and other current assets	24,206	20,053
Due from other agencies	260,145	70,374
Capital assets and right of use asset, net	5,267,574	5,599,713
Due from Somerset Academy, Inc.	1,400,000	900,000
<b>Total Assets</b>	<u>7,886,820</u>	<u>8,068,099</u>
<b>Deferred outflows of resources</b>	-	-
Accounts payable	27,512	124,612
Salaries and wages payable	152,741	35,747
Lease liability	5,363,877	5,650,257
Deferred revenue	54,994	10,528
<b>Total Liabilities</b>	<u>5,599,124</u>	<u>5,821,144</u>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets	(151,297)	(61,072)
Restricted	15,909	-
Unrestricted	2,423,084	2,308,027
<b>Total Net Position</b>	<u>\$ 2,287,696</u>	<u>\$ 2,246,955</u>



At the end of both fiscal years, the School is able to report positive balances in its total net position.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Program Revenues		
Operating grants and contributions	\$ 367,151	\$ 93,499
Capital outlay funding	244,076	219,015
Lunch program	90,996	52,541
General Revenues		
Local sources (FTE and other non specific)	3,350,242	2,923,256
Interest and other revenues	<u>56,594</u>	<u>13,956</u>
<b>Total Revenues</b>	<u>\$ 4,109,059</u>	<u>\$ 3,302,267</u>
<b>EXPENSES</b>		
Governmental Activities:		
Instruction	\$ 1,948,015	\$ 1,476,474
Student support services	136,594	77,855
Instructional staff training	3,715	5,807
Board	32,802	29,784
General administration	-	333
School administration	348,311	304,843
Fiscal services	59,550	55,950
Food services	75,087	53,192
Central services	63,714	62,674
Pupil transportation services	82,609	49,817
Operation of plant	950,655	732,519
Maintenance of plant	72,077	74,524
Administrative technology services	19,191	19,913
Debt service	<u>275,998</u>	<u>290,336</u>
<b>Total Expenses</b>	<u>4,068,318</u>	<u>3,234,021</u>
Increase in Net Position	40,741	68,246
Net Position at Beginning of Year	<u>2,246,955</u>	<u>2,178,709</u>
Net Position at End of Year	<u>\$ 2,287,696</u>	<u>\$ 2,246,955</u>

In 2023, the School's revenues and expenses increased by \$806,792 and \$834,297, respectively. During the year ended June 30, 2023, the School had a change in its net position of \$40,741 during the year.

### **School Location and Lease of Facility**

The School leases a facility located at 20805 Johnson Street, Pembroke Pines, Florida 33029.

### **Capital Improvement Requirements**

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$861,830. The fund balance unassigned and available for spending at the School's discretion is \$837,624. These funds will be available for the School's future ongoing operations.

### **Capital Assets**

The School's investment in capital assets as of June 30, 2023 amounts to \$135,278 (net of accumulated depreciation) and right of use lease asset (building) \$5,132,296 (net of accumulated amortization). This investment in capital assets includes right of use lease asset (building), improvements, and furniture, fixtures and equipment. As of June 30, 2023, the School had long-term liabilities of \$5,418,871 associated to its capital assets.

## Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental fund to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 208,571	\$ 242,984	\$ 244,076
Federal sources	293,979	267,893	269,059
Lunch program	78,000	87,992	90,996
General Revenues			
FTE nonspecific revenues	3,249,933	3,348,921	3,350,242
Interest and other revenues	48,193	54,893	56,594
Total Revenues	<u>\$ 3,878,676</u>	<u>\$ 4,002,683</u>	<u>\$ 4,010,967</u>
<b>CURRENT EXPENDITURES</b>			
Governmental Activities			
Instruction	\$ 2,030,685	\$ 1,930,382	\$ 1,927,152
Student support services	138,922	138,922	136,594
Instructional staff training	5,000	5,000	3,715
Board	31,979	33,872	32,802
School administration	325,446	350,426	347,910
Fiscal services	59,625	61,839	59,550
Food services	78,000	76,902	75,087
Central services	63,725	65,983	63,714
Pupil transportation services	50,000	83,902	82,609
Operation of plant	422,970	506,150	504,876
Maintenance of plant	48,000	71,983	69,758
Administrative technology services	21,507	21,092	19,191
Total Current Expenditures	<u>\$ 3,275,859</u>	<u>\$ 3,346,453</u>	<u>\$ 3,322,958</u>

Most variances occurred as a result of the budget adopted being more conservative than actual results for the year.

### Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Broward, LLC, 6340 Sunset Drive, Miami, Florida, 33143.

Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position  
June 30, 2023

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 4,895
Investments	930,000
Prepaid expenses and other current assets	24,206
Due from other agencies	260,145
Total Current Assets	<u>1,219,246</u>
Capital assets, depreciable	244,889
Less: accumulated depreciation	(109,611)
Right of use asset (building)	5,921,880
Less: accumulated amortization	(789,584)
Total Capital Assets, net	<u>5,267,574</u>
Due from Somerset Academy, Inc.	1,400,000
Total Assets	<u>7,886,820</u>
 <b><u>Deferred Outflows of Resources</u></b>	 <u>-</u>
 <b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable	27,512
Salaries and wages payable	152,741
Lease liability, current	300,591
Total Current Liabilities	<u>480,844</u>
Deferred revenue	54,994
Lease liability	5,063,286
Total Liabilities	<u>5,599,124</u>
 <b><u>Deferred Inflows of Resources</u></b>	 <u>-</u>
 <b><u>Net Position</u></b>	
Net investment in capital assets	(151,297)
Restricted	15,909
Unrestricted	2,423,084
Total Net Position	<u>\$ 2,287,696</u>

The accompanying notes are an integral part of these financial statements.

Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)

Statement of Activities  
For the year ended June 30, 2023

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 1,948,015	\$ -	\$ 367,151	\$ -	\$ (1,580,864)
Student support services	136,594	-	-	-	(136,594)
Instructional staff training	3,715	-	-	-	(3,715)
Board	32,802	-	-	-	(32,802)
School administration	348,311	-	-	-	(348,311)
Fiscal services	59,550	-	-	-	(59,550)
Food services	75,087	27,409	63,587	-	15,909
Central services	63,714	-	-	-	(63,714)
Pupil transportation services	82,609	-	-	-	(82,609)
Operation of plant	950,655	-	-	244,076	(706,579)
Maintenance of plant	72,077	-	-	-	(72,077)
Administrative technology services	19,191	-	-	-	(19,191)
Debt service	275,998	-	-	-	(275,998)
<b>Total governmental activities</b>	<b>4,068,318</b>	<b>27,409</b>	<b>430,738</b>	<b>244,076</b>	<b>(3,366,095)</b>
General revenues:					
FTE and other nonspecific revenues					3,350,242
Interest and other revenues					56,594
Change in net position					40,741
Net position, beginning					2,246,955
Net position, ending					\$ 2,287,696

The accompanying notes are an integral part of these financial statements.

Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds  
June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
<b><u>Assets</u></b>			
Cash	\$ 4,895	\$ -	\$ 4,895
Investments	914,091	15,909	930,000
Prepaid expenses and other current assets	24,206	-	24,206
Due from fund	98,891	-	98,891
Due from other agencies	-	98,891	98,891
Total Assets	1,042,083	114,800	1,156,883
<b><u>Deferred Outflows of Resources</u></b>			
	-	-	-
<b><u>Liabilities</u></b>			
Accounts payable	27,512	-	27,512
Salaries and wages payable	152,741	-	152,741
Due to fund	-	98,891	98,891
Total Liabilities	180,253	98,891	279,144
<b><u>Deferred Inflows of Resources</u></b>			
	-	-	-
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	24,206	-	24,206
Restricted	-	15,909	15,909
Unassigned	837,624	-	837,624
	861,830	15,909	877,739
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,042,083	\$ 114,800	\$ 1,156,883

The accompanying notes are an integral part of these financial statements.

Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
June 30, 2023

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Total Fund Balance - Governmental Funds \$ 877,739

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets, depreciable	244,889	
Less: accumulated depreciation	(109,611)	
Right of use lease asset	5,921,880	
Less: accumulated amortization	<u>(789,584)</u>	5,267,574

Receivables in governmental activities that are not available are not current financial resources and, therefore, are not reported in the governmental funds. 161,254

Long term receivables from other divisions in governmental activities are not financial resources and therefore are not reported in the governmental funds. 1,400,000

Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (5,418,871)

Total Net Position - Governmental Activities \$ 2,287,696

The accompanying notes are an integral part of these financial statements.

Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2023

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues:</b>				
State capital outlay funding	\$ -	\$ 244,076	\$ -	\$ 244,076
State passed through local and other local	3,350,242	-	-	3,350,242
Federal sources	-	-	269,059	269,059
Lunch program	-	-	90,996	90,996
Other revenues	56,594	-	-	56,594
<b>Total Revenues</b>	<b>3,406,836</b>	<b>244,076</b>	<b>360,055</b>	<b>4,010,967</b>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	1,685,282	-	241,870	1,927,152
Student support services	136,594	-	-	136,594
Instructional staff training	3,715	-	-	3,715
Board	32,802	-	-	32,802
School administration	347,910	-	-	347,910
Fiscal services	59,550	-	-	59,550
Food services	-	-	75,087	75,087
Central services	63,714	-	-	63,714
Pupil transportation services	82,609	-	-	82,609
Operation of plant	504,876	-	-	504,876
Maintenance of plant	69,758	-	-	69,758
Administrative technology services	19,191	-	-	19,191
<b>Capital Outlay:</b>				
Other capital outlay	92,757	-	-	92,757
<b>Debt service:</b>				
Redemption of principal	-	286,380	-	286,380
Interest	-	275,998	-	275,998
<b>Total Expenditures</b>	<b>3,098,758</b>	<b>562,378</b>	<b>316,957</b>	<b>3,978,093</b>
Excess (deficit) of revenues over expenditures	308,078	(318,302)	43,098	32,874
<b>Other financing sources (uses)</b>				
Transfers in (out)	(291,113)	318,302	(27,189)	-
Increase in long term advances	(500,000)	-	-	(500,000)
<b>Net change in fund balance</b>	<b>(483,035)</b>	<b>-</b>	<b>15,909</b>	<b>(467,126)</b>
Fund Balance at beginning of year	1,344,865	-	-	1,344,865
Fund Balance at end of year	\$ 861,830	\$ -	\$ 15,909	\$ 877,739

The accompanying notes are an integral part of these financial statements.



Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities

For the year ended June 30, 2023

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Net Change in Fund Balance - Governmental Funds \$ (467,126)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. These amounts during the year were as follows:

Capital outlay	92,757	
Depreciation and amortization expense	<u>(424,896)</u>	(332,139)

Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measurable and available in the governmental funds. These revenues did not meet the recognition criteria during the current year and, therefore, were not reported in the governmental funds. 98,092

Increase in long term debt is revenue in the governmental funds, but a decrease or repayment of such payables reduces liabilities in the statement of net position.

Increase in long term liabilities	(44,466)	
Principal payments on long-term debt	<u>286,380</u>	241,914

Increase in long term liabilities is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long term assets in the statement of net position. 500,000

Change in Net Position of Governmental Activities \$ 40,741

The accompanying notes are an integral part of these financial statements.

## **Note 1 – Summary of Significant Accounting Policies**

### Reporting Entity

Somerset Arts Conservatory (the "School"), is a component unit of the School Board of Broward County, Florida (the "District"). The Schools' charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of four members and also governs other charter schools. The board of directors has determined that no component units exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Broward County, Florida. The current charter expires on June 30, 2031 and it can be renewed in accordance with the law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Pembroke Pines, Florida for students from ninth through twelfth grade and is funded by the District. These financial statements are for the year ended June 30, 2023, when on average 397 students were enrolled for the school year.

### Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Government-wide and Fund Financial Statements

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal inter-fund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues, and other miscellaneous sources.

*Fund Financial Statements*

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds:

*General Fund* - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

*Special Revenue Fund* – accounts for specific revenues, such as federal funding, federal lunch program, and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes.

*Capital Outlay Fund* – accounts for state and local capital outlay as authorized by Charter School Capital Outlay, Section 1013.62, Florida Statutes mainly for capital outlay and maintenance purposes.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*. The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, nonmarketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, *Fair Value Measurement and Application*, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Prepaid Expenses and Other Current Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the government wide statements.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Proceeds received from the sale or disposal of capital assets are recorded as other financing sources in the governmental funds.

The right of use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

Estimated useful lives, in years, for capital assets are as follows:

Leasehold Improvements	10 Years
Furniture, Fixtures, Equipment, and Software	3-5 Years
Right of Use Asset (Building)	14 Years

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days in order to cash out. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local ad valorem tax revenues levied by the District.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net Position and Fund Balance Classifications

*Government-wide financial statements*

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets- consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of balances with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.

**Note 1 – Summary of Significant Accounting Policies (continued)**

- c) Unrestricted net position - all other balances that do not meet the definition of "restricted" or "net investment in capital assets and long term receivables."

When both restricted and unrestricted resources are available for a specific purpose, it is the School's policy to use restricted resources first, until exhausted, before using unrestricted resources.

*Fund financial statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with prepaid expenses. All nonspendable fund balances pertain to assets not in spendable form.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted fund balances at year end pertain to the School's lunch program.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned – portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Income Taxes

Somerset Academy, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.



**Note 1 – Summary of Significant Accounting Policies (continued)**

Long-Term Debt and Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standard Adopted

In fiscal year 2023, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The adoption had no material effect on the School's 2023 financial statements.

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 101, Compensating Absences. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 29, 2023, which is the date the financial statements were available to be issued.

## **Note 2 – Cash and Investments**

### Deposits

The School maintains its cash and cash equivalents in one financial institution. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2023, bank balances in potential excess of FDIC coverage was \$7,649.

### Investments

The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2023, the School had \$1,720,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2023, maturities of the fund's portfolio holdings are approximately 91% within 30 days.

### Credit Risk

*Concentration of credit risk* is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

As of June 30, 2023, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

**Note 2 – Cash and Investments (continued)**

*Interest rate risk* is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

**Note 3 – Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2023:

	Balance 07/01/22	Additions	Retirements / Reclassifications	Balance 06/30/23
Capital assets, depreciable:				
Audiovisual materials	\$ 34,565	\$ 10,218	\$ -	\$ 44,783
Leasehold improvements	42,012	6,232	(2,952)	45,292
Furniture, fixtures and equipment	88,085	76,307	(9,578)	154,814
<b>Total Capital Assets</b>	<b>164,662</b>	<b>92,757</b>	<b>(12,530)</b>	<b>244,889</b>
Less Accumulated Depreciation:				
Audiovisual materials	(34,564)	-	-	(34,564)
Leasehold improvements	(16,428)	(6,728)	2,952	(20,204)
Furniture, fixtures and equipment	(41,045)	(23,376)	9,578	(54,843)
<b>Total Accumulated Depreciation</b>	<b>(92,037)</b>	<b>(30,104)</b>	<b>12,530</b>	<b>(109,611)</b>
Capital Assets, net	<b>\$ 72,625</b>	<b>\$ 62,653</b>	<b>\$ -</b>	<b>\$ 135,278</b>
Lease Assets:				
Right of use leased asset (building)	5,921,880	-	-	5,921,880
Less accumulated amortization:	(394,792)	(394,792)	-	(789,584)
Total Lease Assets being amortized, net	5,527,088	(394,792)	-	5,132,296
Governmental Activities Capital Assets, net	<b>\$ 5,599,713</b>	<b>\$ (332,139)</b>	<b>\$ -</b>	<b>\$ 5,267,574</b>

For the fiscal year ended June 30, 2023, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

	Depreciation	Amortization
Instruction	\$ 20,863	\$ -
Operation of plant	6,521	394,792
School administration	401	-
Maintenance of plant	2,319	-
<b>Total Expense</b>	<b>\$ 30,104</b>	<b>\$ 394,792</b>

**Note 4 – Education Service and Support Provider**

Academica Broward, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services. The agreement calls for a fee on a per student basis. The agreement continues through June 30, 2028, and unless terminated by the board will have the option to renew for an additional five-year period. During the year ended June 30, 2023, the School incurred \$178,650 in fees.

**Note 5 – Transactions With other Divisions of Somerset Academy, Inc.**

During 2023, the School shared its campus with other charter schools under Somerset Academy, Inc. Through the board, management allocates a proportionate share of leases, salaries, lunch receipts, food, supplies and other expenses based on student enrollment and usage of facilities and staff to these schools. Also, the School’s student activities fund account is held in the books of Somerset Academy Middle School.

The School’s lunch program is also shared with various charter schools under Somerset Academy, Inc. Revenues and expenses related to the lunch program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

As of June 30, 2023, the School made long term, non-interest bearing advances to Somerset Academy, Inc. The following schedule provides a summary of changes in long-term advances to related parties for the year ended June 30, 2023:

	Balance 07/01/22	Advances	Repayments	Balance 06/30/23
Due from Somerset Academy, Inc	\$ 900,000	\$ 500,000	\$ -	\$1,400,000
Total Long Term Receivables	<u>\$ 900,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$1,400,000</u>

Somerset Academy, Inc. charges its affiliated schools an assessment for shared corporate costs and accreditation expenses. The School paid Somerset Academy, Inc. \$79,300 in connection with these charges during the year.

**Note 6 – Long Term Liabilities**

The School leases a multi-building campus together with Somerset Academy Charter Middle School and Somerset Academy Charter High School (other charter schools under Somerset Academy, Inc.). Lease payments are allocated among the schools based on facility usage and enrollment.

**Note 6 – Long Term Liabilities (Continued)**

The leases, as amended, for the campus are:

Lease and security agreement with Broward School Development, LLC for its 28,300 square feet including all ancillary facilities, outdoor areas, and other improvements. Initial fixed annual payments under this agreement are approximately \$805,500 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through June 30, 2036 with an option to renew for two additional five-year terms.

Lease and security agreement with Broward School Development II, LLC for its 44,800 square feet including all ancillary facilities, outdoor areas, and other improvements. Initial fixed annual payments under this agreement are approximately \$1,228,335 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through June 30, 2036 with an option to renew for two additional five-year terms.

Lease and security agreement with Broward School Development III, LLC for its 58,595 square feet including all ancillary facilities, outdoor areas, and other improvements. Initial fixed annual payments, as amended under this agreement are approximately \$1,797,598 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through June 30, 2036 with an option to renew for two additional five-year terms

Under the above agreements, the School must meet certain covenants and requirements, including a “Fixed Charge Coverage Ratio” of not less than 1.10 to 1.00. The landlord is an affiliate of the School’s education service and support provider (See Note 4). Under these agreements the School has granted a first lien on its pledged revenues, which include all revenues collected by the school from the Florida Department of Education, the District, and all other sources.

At the time of the initial measurement, the lease right of use asset and liability were allocated between School Somerset Academy Middle School and Somerset Academy Charter High School based on enrollment and usage of facility. The allocation used was approximately 50% for Somerset Academy Charter High School, 36% for Somerset Academy Middle School and 14% for the School and there was no interest rate specified in the original lease agreement. The School used an average effective interest for several borrowings during fiscal year 2021 and 2022. At the time of the initial measurement, the average borrowing rate was 5% which was used to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability.

**Note 6 – Long Term Liabilities (Continued)**

For the year ended June 30, 2023, interest expense totaled \$275,998, as it relates to its lease agreements. For 2023, variable and other payments of \$58,894 in connection with the lease agreement. At year-end, the School had approximately \$24,600 due to landlord which was included in accounts payable.

Annual requirements to amortize the lease liability and related interest are as follows:

Year	Principal	Interest	Total	
2024	\$ 300,591	\$ 261,367	\$ 561,958	
2025	315,970	245,989	561,959	
2026	332,135	229,823	561,958	
2027	349,128	212,830	561,958	
2028	366,990	194,968	561,958	
2029-2033	2,136,553	673,238	2,809,791	Total for a five year period
2034-2036	1,562,510	123,364	1,685,874	Total for a three year period
	<u>\$ 5,363,877</u>	<u>\$ 1,941,579</u>	<u>\$ 7,305,456</u>	

Changes in long term lease liabilities during the year are as follows:

	Balance 07/01/22	Additions	Decreases	Balance 06/30/23
Lease liability	\$ 5,650,257	\$ -	\$ (286,380)	\$ 5,363,877
Deferred rent CPI	10,528	44,466	-	54,994
	<u>\$ 5,660,785</u>	<u>\$ 44,466</u>	<u>\$ (286,380)</u>	<u>\$ 5,418,871</u>

**Note 7– Contingencies and Concentrations**

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% (or 2% if high performing) of the qualifying revenues of the School.

**Note 8 – Risk Management**

For the year ended June 30, 2023, administrative fees withheld by the School District totaled \$40,247.

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, personal injury, workers compensation and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in any of the past three years. In addition, there were no reductions in insurance coverage from those in the prior year.

The School has entered into a strategic relationship with ADP TotalSource, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreements, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

**Note 9 – Inter-fund Transfers**

Interfund transfers in governmental funds consist of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund
To reimburse general fund for prior period federal expenditures	\$ 27,189	\$ (27,189)	\$ -
To fund debt service payments	(318,302)	-	318,302
Total Transfers, net	<u>\$ (291,113)</u>	<u>\$ (27,189)</u>	<u>\$ 318,302</u>

Due from / (Due to) balances consist of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund
Due to general fund from special revenue fund for federal funds	\$ 98,891	\$ (98,891)	\$ -
Total Due from/(Due to)	<u>\$ 98,891</u>	<u>\$ (98,891)</u>	<u>\$ -</u>

**Note 10 – Defined Contribution Retirement Plan**

The School’s personnel, who are leased through ADP Total Source Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed \$54,227 to the Plan for the year ended June 30, 2023. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION



Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 3,249,933	\$ 3,348,921	\$ 3,350,242
Other Revenues	48,193	54,893	56,594
Total Revenues	<u>3,298,126</u>	<u>3,403,814</u>	<u>3,406,836</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	1,744,529	1,714,893	1,685,282
Student support services	138,922	138,922	136,594
Instructional staff training	5,000	5,000	3,715
Board	31,979	33,872	32,802
School administration	324,941	349,921	347,910
Fiscal services	59,625	61,839	59,550
Central services	63,625	65,883	63,714
Pupil transportation services	50,000	83,902	82,609
Operation of plant	422,752	505,932	504,876
Maintenance of plant	48,000	71,983	69,758
Administrative technology services	21,507	21,092	19,191
Total Current Expenditures	<u>2,910,880</u>	<u>3,053,239</u>	<u>3,006,001</u>
Excess of Revenues Over Current Expenditures	<u>387,246</u>	<u>350,575</u>	<u>400,835</u>
Capital Outlay	<u>1,923</u>	<u>65,000</u>	<u>92,757</u>
Total Expenditures	<u>2,912,803</u>	<u>3,118,239</u>	<u>3,098,758</u>
Excess of Revenues Over Expenditures	385,323	285,575	308,078
Other financing sources (uses):			
Transfers in (out)	(353,807)	(286,723)	(291,113)
Increase in long term advances	<u>-</u>	<u>(500,000)</u>	<u>(500,000)</u>
Net change in fund balance	31,516	(501,148)	(483,035)
Fund Balance at beginning of year	<u>1,344,865</u>	<u>1,344,865</u>	<u>1,344,865</u>
Fund Balance at end of year	<u>\$ 1,376,381</u>	<u>\$ 843,717</u>	<u>\$ 861,830</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

Somerset Arts Conservatory  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2023

	Speical Revenue Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Federal sources	\$ 293,979	\$ 267,893	\$ 269,059
Lunch program fees	78,000	87,992	90,996
Total Revenues	<u>371,979</u>	<u>355,885</u>	<u>360,055</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	286,156	215,489	241,870
School administration	505	505	-
Food services	78,000	76,902	75,087
Central services	100	100	-
Operation of Plant	218	218	-
Total Current Expenditures	<u>364,979</u>	<u>293,214</u>	<u>316,957</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>7,000</u>	<u>62,671</u>	<u>43,098</u>
Capital Outlay	7,000	30,000	-
Total Expenditures	<u>371,979</u>	<u>323,214</u>	<u>316,957</u>
Excess (Deficit) of Revenues Over Expenditures	-	32,671	43,098
Other financing sources (uses)			
Transfers in (out)	-	(32,671)	(27,189)
Net change in fund balance	-	-	15,909
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,909</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Board of Directors of  
Somerset Arts Conservatory  
Pembroke Pines, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Somerset Arts Conservatory (the "School") as of, and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 29, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We issued a separate management letter dated September 29, 2023 pursuant to Chapter 10.850, Rules of the Auditor General.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in blue ink that reads "HLB Gravier, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 29, 2023



## MANAGEMENT LETTER

To the Board of Directors of  
Somerset Arts Conservatory  
Pembroke Pines, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Somerset Arts Conservatory, Florida, as of and for the fiscal year ended June 30, 2023 and have issued our report thereon dated September 29, 2023.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 29, 2023, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding audit report.

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Somerset Arts Conservatory, 5396.

## **Financial Condition and Management**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Somerset Arts Conservatory has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Somerset Arts Conservatory did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Somerset Arts Conservatory. It is management's responsibility to monitor Somerset Arts Conservatory's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had no such recommendations:

## **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the that we report the results of our determination as to whether Somerset Arts Conservatory maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined Somerset Arts Conservatory maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, School Board of Broward County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 29, 2023